

Exhibit 14

Who is to blame for skyrocketing drug prices?

BY LYNN R. WEBSTER, OPINION CONTRIBUTOR - 07/27/17
11:40 AM ET

SHARE

POST

 

Getty Images

Across the board, drug prices are soaring. Even the cost of cancer medications are so high that some patients are delaying cancer treatments or skipping them altogether. But who is most responsible for higher drug prices: pharmaceutical companies or pharmacy benefit managers (PBMs)? That depends on whom you believe.

According to Bloomberg, "PBMs deny raising costs and say pharmaceutical companies seek to mask their own profiteering. 'Drugmakers set prices, and we exist to bring those prices down,' Tim Wentworth, Express Scripts' chief executive officer, said on a Feb. 15 earnings call. Larry Merlo, head of CVS (which, itself, is a PBM), sounded a similar refrain six days earlier, 'Any suggestion that PBMs are causing prices to rise is simply erroneous.' "

{mosads}However, drug companies are blaming PBMs for skyrocketing prices, and so is at least one health insurer. In a recent case, Anthem Inc. sued Express Scripts Holding Co. for about 15 billion dollars. The lawsuit blames Express Scripts for the high pricing of drugs. Anthem alleges it's "overpaying for pharmaceuticals and not benefiting from rebates the pharmacy benefit manager has negotiated with drugmakers."

As Bob Herman writes in Modern Healthcare, "Anthem's legal strike against Express Scripts Holding Co. may spur other health insurance companies to re-evaluate their contracts with pharmacy benefits managers to see if they are getting shortchanged on drug savings. It could also allow Anthem and others to consider integrating drug benefits under their own corporate umbrellas."

Insulin is another example of out-of-control pricing. According to the Wall Street Journal, "Most of the revenue from the increases isn't going to the drug manufacturers. It is largely the middlemen that benefit." The article goes on to make the point that the major manufacturers of insulin, Eli Lilly & Co., Novo Nordisk A/S, and Sanofi SA are still earning about the same from selling the drugs as they did several years ago: "The price increases — top-selling insulins have more than doubled in price since 2011— reflect the growing role of middlemen known as pharmacy-benefit managers who negotiate rebates and fees based on list prices."

Sovaldi's pricing is yet another piece of the PMBs puzzle. Gilead Sciences, Inc. which makes Sovaldi, a cure for hepatitis C—that kills more Americans than any other infectious disease—charged more than \$80,000 for a 12-week course in 2013. According to the Chicago Tribune, the same pill that costs \$1,000 in the U.S. sells for \$4 in India.

In addition, Forbes reported in 2014, "An entire treatment regimen of 84 of those pills costs just \$900 in Egypt. Exact same medicine, completely different pricing." At that time, in the United States, the cost had reached \$84,000.

A Gilead Sciences executive blamed PBMs for the U.S. pricing. "If we just lowered the cost of Sovaldi from \$85,000 to \$50,000, every payer would rip up

our contract,” Jim Meyers, executive vice president of worldwide commercial operations, told Bloomberg News.

“‘Direct and indirect remuneration’ Fees (DIR Fees) charged” by PMBs have also been criticized for contributing to the price of a drug. A White Paper by the law firm of Frier Levitt, LLC states that PBMs increase their profits by charging pharmacy providers these fees that contribute to the ultimate price for patients and insurance companies.

Of course, the PBMs have their side of the story. They say that the frequently vilified DIR fees are necessary to ensure the best care and lowest premiums for Medicare recipients from pharmacies, according to the Specialty Pharmacy Times’ story about the controversy.

However, it’s hard to see the value that PBMs, as they are currently managed, offer to consumers. PBMs often limit the available drugs to those that produce the largest kickbacks to the PBM. Competition is stifled rather than encouraged, because PBMs prefer large volume sales or high priced drugs to low volume, less expensive drugs since their profits are often tied to a percent of the marketed price.

This has garnered the attention of U.S. Rep. Doug Collins (R-Ga.) and Rep. Dave Loebsack (D-Iowa) who have reintroduced the MAC Transparency Act with the goal of requiring federal programs to disclose when a PBM uses one price list to reimburse pharmacies and another to sell drugs to insurance plans.

PBMs face another challenge. The Health Transformation Alliance is a coalition of 30 of the largest employers in America including Verizon, Coca Cola, and American Express. The 30 companies spend more than \$20 billion a year on health benefits. These companies recognize the enormous cost for drugs and are exploring ways to reduce or eliminate the markups that generate the huge PBM profits. Their view is that PBMs should only have a transactional administrative fee and not a percent of an inflated drug price.

If the Health Transformation Alliance accomplishes its goals and, perhaps, sets a trend toward a new business model that removes PBMs as commission brokers for medication, it could lower health insurance costs and drug prices. This might

allow companies to enter the market at much lower price points for their products. If that happens, it should increase competition and benefit consumers.

Lynn R. Webster, MD is Vice President Scientific Affairs for PRA Health Sciences. He is a past resident of the American Academy of Pain Medicine. In addition, he is a co-producer of the public television, "The Painful Truth. You can find him on Twitter: @LynnRWebsterMD.

The views expressed by contributors are their own and not the views of The Hill.